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AUGUST 26
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Volume XVIII

Number 38

REAL ESTATE ECONOMISTS. APPRAISERS AND COUNSELORS

CONSTRUCTION COSTS CONTINUE DOWN

AFTER ten years of steadily rising construction costs, it is a relief to see that the rise has stopped and still more of a relief to see that they have started down. The chart below shows the cost of building our six-room frame house in 52 cities from 1935 to the present. The red bars represent the difference between the highest and the lowest cost found in these 52 cities for each period covered by the chart. The blue line running through the red bars represents the national average cost. It has been dropping slowly since the third quarter of last year. So far, the national average has fallen from $14,261 to $13,666, a drop of slightly over 4%.

As will be noticed on the following charts, not all cities showed a decline from the first quarter of 1949; in fact, some of them have increased. Without exception these increases have resulted from rising wage rates since the first of the year. Some cities record a decline from the first quarter of 1949 to the second quarter

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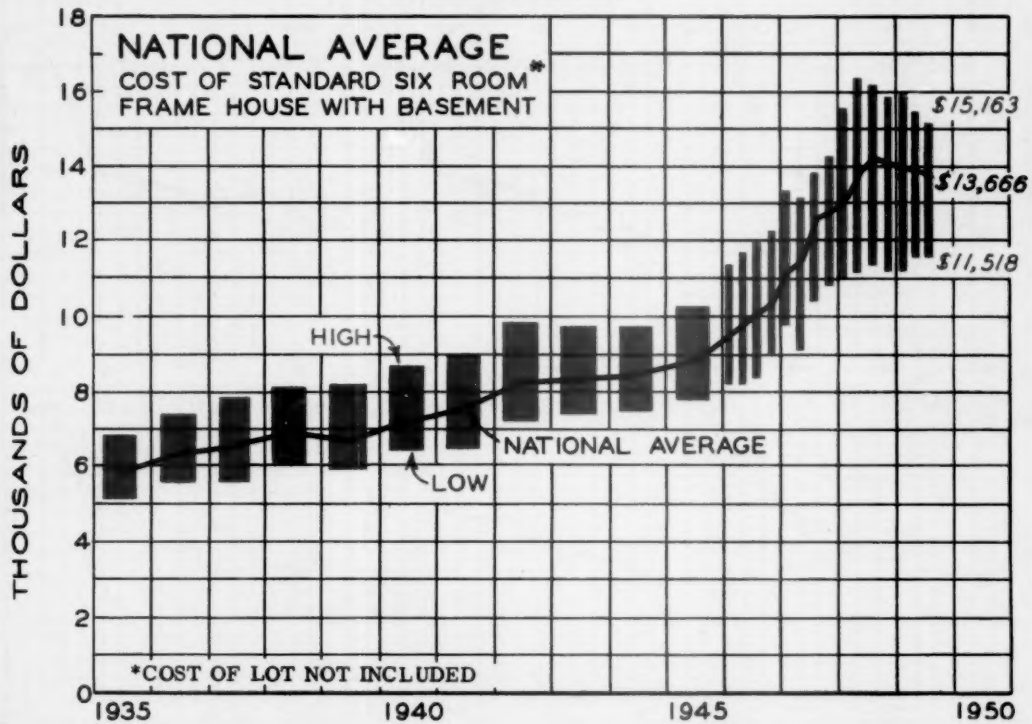
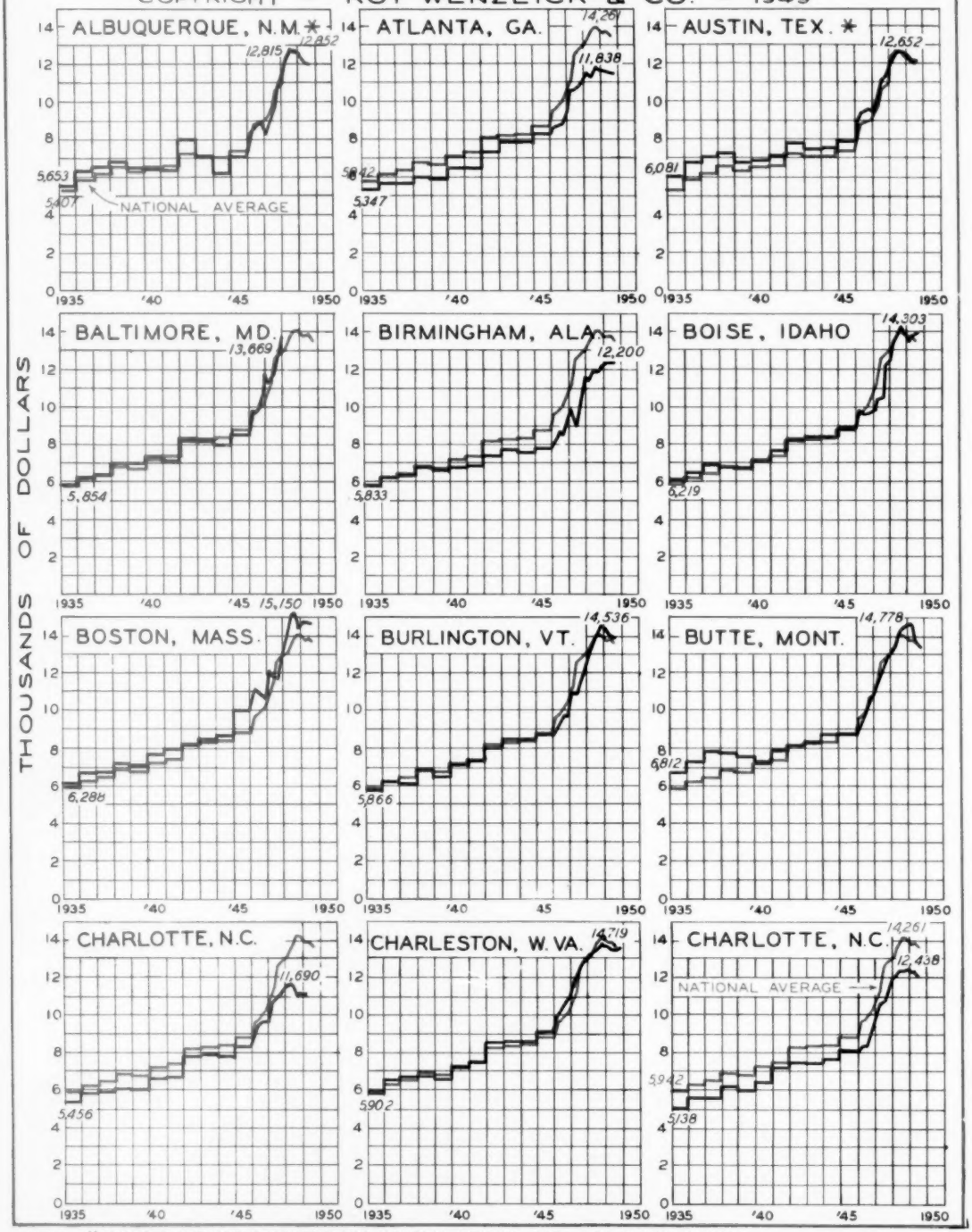


TOTAL CONSTRUCTION COSTS OF A STANDARD SIX ROOM FRAME HOUSE BY CITIES



* FIGURED WITHOUT BASEMENT NOR CENTRAL HEATING BUT WITH FLOOR FURNACE

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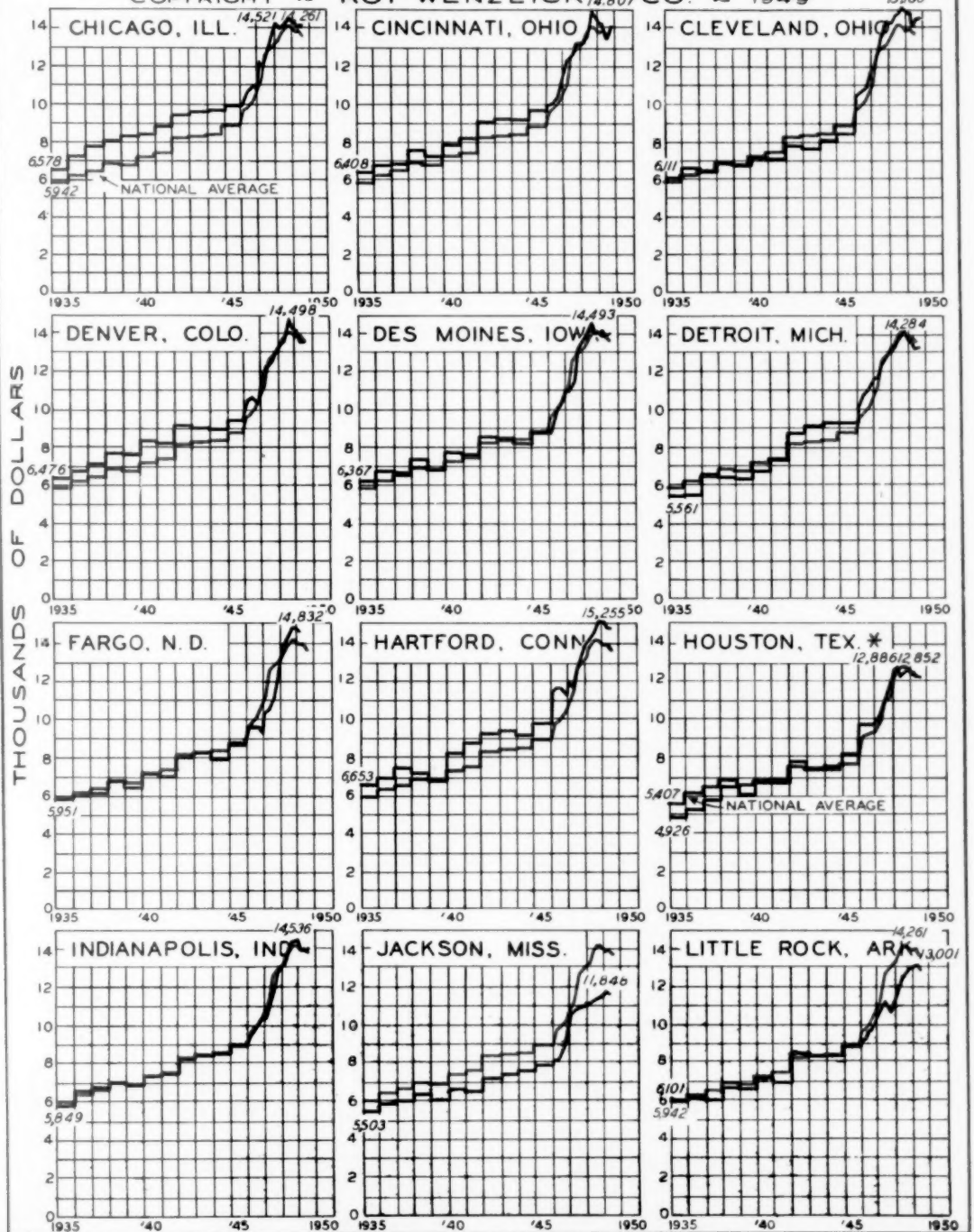

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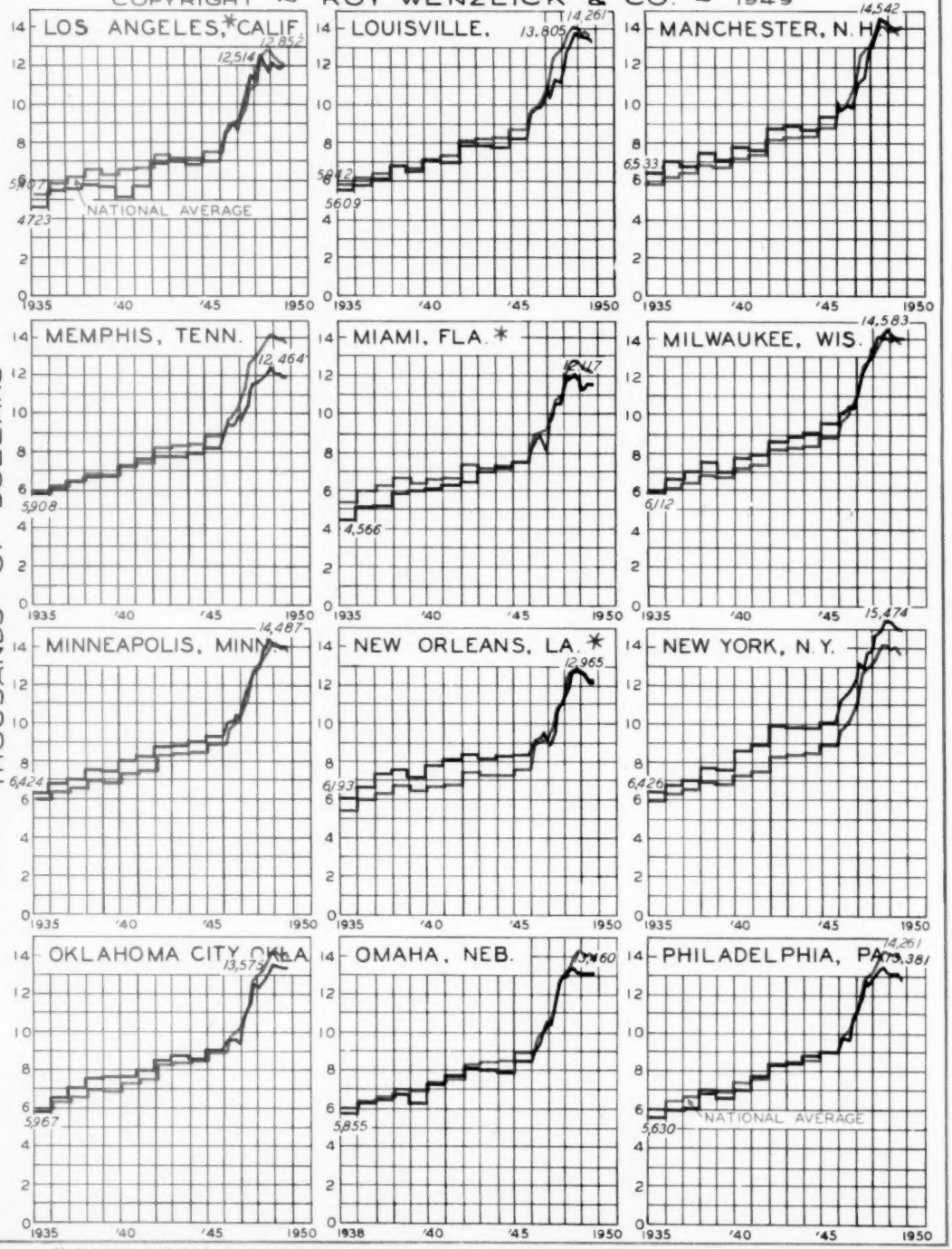

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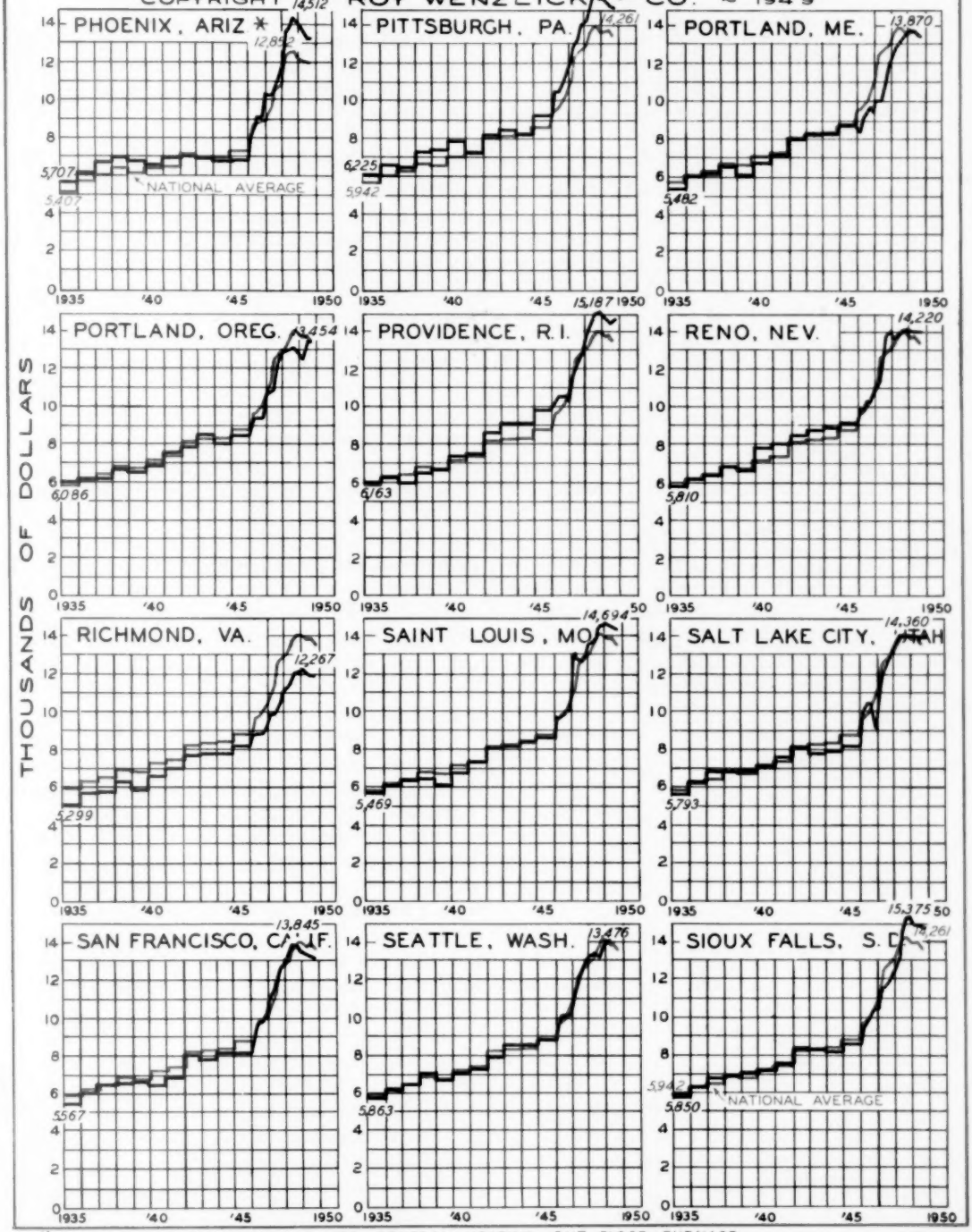

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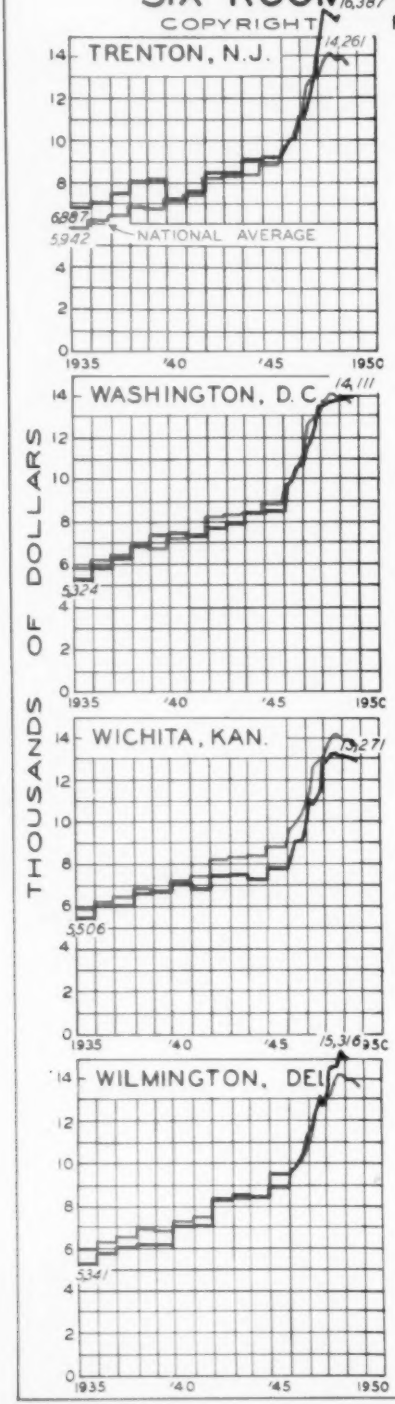

(cont. from page 333)

and then rise again during the present quarter. These recent rises are also attributable to wage increases in the building trades.

In virtually all cities, material prices have been dropping steadily and this factor has been dominant in bringing costs down. Another contributing factor has been a slow increase in the efficiency of labor. In those cities where costs have risen in the last few months, the decreases in material prices have been insufficient to offset rising labor costs.

The cities with the largest recent increases are Boise, Idaho, 3.7% over the first quarter of 1949; Washington, D. C., 1.4%; Charleston, West Virginia, .086%, and Omaha, Nebraska, .038%. On the following page we show a chart tracing the rise of material costs and labor costs on our standard six-room frame house built in St. Louis. By taking 1939, the last prewar year, as 100 we see that labor costs have advanced to an index reading of 281, an increase of 181%. In contrast, material costs rose to a reading of 229.5, an increase of 129.5%. Further examination shows that while material costs have been dropping for the past six months, labor costs continue to inch upward.

There is a great deal of building activity in the low-priced housing field. Rodney Lockwood (National Association of Home Builders) in his very able testimony before the Congressional Committee on Banking and Currency pointed out an impressive number of examples of low-priced, private enterprise housing. Just a few of the examples are shown on the following page.

The private builders of the country are continuing to put up houses at a fast pace. Through July 1949 they have started 549,100 nonfarm residential units, only 4% below the number started during the same period of 1948. As can be seen by the examples below, many are well within the reach of the low-income groups. In testifying before this same Committee, John Egan, the Public Housing Commissioner, stated that the average rent paid by tenants in

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public housing units was $28 per month including heat and utilities. To this (he went on to explain) is added $14 per month in Federal and local contribution. This totals $42 per unit. Notice that the apartment project rents in the table below are less than the average paid in public housing. However, the rents in public housing include heat and utilities, while the rents on the units in Mr. Lockwood's examples apparently do not. Nevertheless, it is a very favorable comparison and shows that private enterprise is also reaching the low-income groups in need of rental housing.

Location	No. of houses in project	No. of rooms	Sales price	Down payment	Monthly payment
Atlanta, Ga.	550	4	$4,750	none	$43
Columbus, Ohio	500	4	6,500	$800	43
West Memphis, Ark.	200	4	6,250	300	45
Savannah, Ga.	600	*	4,500	none	29
Portland, Oreg.	600	4	7,750	570	52
San Antonio, Tex.	1000	4	6,000	600	42
Houston, Tex.	apt. proj.	3	--	--	40
Memphis, Tenn.	apt. proj.	3 & 4	--	--	$30 - $37.50†

*This project was financed by private loan without government insurance. The number of rooms was not specified but the living space covered 700 square feet.

†These units equipped with venetian blinds, gas ranges, electric refrigerators and automatic water heaters.

CHANGES IN PUBLIC SCHOOL ENROLLMEN

City	1933	1934	1935	1936	1937	1938	1939	1940
Atlanta, Ga.	68,605	68,384	69,530	68,293	66,978	64,944	67,235	64,950
Baltimore, Md.	117,939	118,350	119,162	117,810	116,234	115,863	115,863	114,162
Birmingham, Ala.	49,585	48,503	49,146	50,208	50,392	50,330	49,807	49,197
Boston, Mass.	137,521	135,075	134,553	132,824	131,635	127,005	123,924	120,447
Charleston, S. C.	11,532	12,007	12,253	12,217	12,155	12,053	12,511	12,094
Chicago, Ill.	542,459	522,793	522,655	519,643	510,600	496,966	498,300	491,228
Cincinnati, Ohio	58,689	59,840	60,973	60,958	61,348	60,775	59,981	59,079
Detroit, Mich.	256,335	260,261	263,724	261,863	259,720	257,814	253,226	247,898
Hartford, Conn.	28,307	27,957	27,916	27,330	26,246	25,689	24,785	23,906
Indianapolis, Ind.	59,723	61,528	62,073	62,985	64,157	63,550	63,215	62,575
Little Rock, Ark.	16,312	16,439	16,679	16,284	15,916	15,872	15,523	15,450
Louisville, Ky.	47,825	48,628	49,435	49,478	49,957	49,065	48,166	47,614
Minneapolis, Minn.	90,073	89,888	89,303	88,739	87,593	86,025	83,590	81,047
Nashville, Tenn.	29,917	30,659	31,225	30,986	31,159	30,826	29,941	29,556
Omaha, Neb.	41,528	41,863	42,406	42,809	42,669	41,723	41,590	40,804
Pittsburgh, Pa.	111,181	110,382	110,049	108,831	107,051	104,853	104,142	101,808
Richmond, Va.	35,377	35,523	35,587	34,934	34,493	34,075	33,768	33,296
Rochester, N. Y.	55,433	54,680	53,937	53,037	51,617	50,817	49,729	48,142
St. Louis, Mo.	106,149	104,328	106,310	105,931	104,187	102,566	102,712	101,320
Seattle, Wash.	61,603	60,183	59,538	58,834	58,127	56,956	55,269	53,897
Syracuse, N. Y.	37,339	37,033	36,386	35,353	34,493	33,894	32,542	31,593
Topeka, Kan.	13,535	13,621	13,641	13,507	13,147	12,711	12,163	11,713
Trenton, N. J.	21,824	21,503	21,560	21,253	20,572	20,076	19,684	19,402
Wheeling (Ohio Co.), W. Va.	13,496	13,380	13,870	13,819	13,285	13,020	13,382	12,689
Dallas, Tex.	51,400	52,795	54,367	54,466	54,529	53,959	54,313	53,612
Jackson, Miss.	9,536	10,011	9,983	10,163	10,622	10,392	10,571	10,667
Jacksonville, Fla.	**	**	**	**	**	**	36,734	37,301
Oklahoma City, Okla.	35,340	35,619	37,788	37,553	38,877	39,070	38,487	37,510
Portland, Oreg.	49,130	48,351	47,960	46,351	45,948	44,844	43,603	41,826

*Figures from these cities are apparently for the end of calendar year; all others for beginning of calendar year.
**No comparable data for these years.

THE table above discloses a very interesting fact. In 20 out of 25 principal cities, public school enrollment was less in 1949 than it was in 1933, 16 years ago. The burden of paying for new school buildings most frequently falls upon the owners of real estate. We are presenting the above table to point out that in a great many cities the need for new schools may not be so pressing as is indicated by the authorities. Generally speaking, school taxes are one of the easiest to increase. Virtually everyone with children votes for the tax raise, frequently knowing very little about it.

There has been and will doubtless continue to be considerable agitation for new school buildings. There is no question that in many instances they are badly needed. These figures, however, certainly point to the possibility that in some instances they are not. We have underscored "possibility" because there is considerable chance for error in jumping to a conclusion based on raw unanalyzed statistics.

It could easily be the case in cities showing lower enrollment now than in 1933 that the high schools have fewer pupils and the lower grades are crowded. We are told that this is the case in St. Louis, where high school enrollment has been dropping for several years. Virtually the same situation could exist between white and

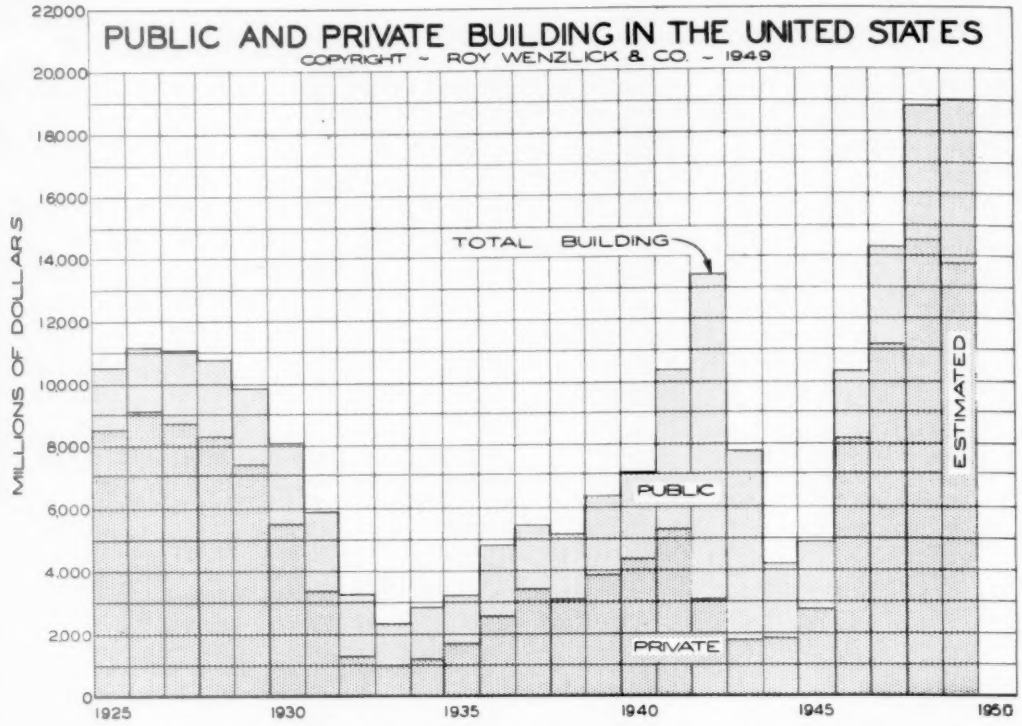
ENT IN 29 PRINCIPAL CITIES (1933-1949)

1941	1942	1943	1944	1945	1946	1947	1948	1949	Change since 1933
63,594	62,006	59,966	56,069	57,586	59,453	59,144	60,761	60,916	-7,689
112,448	109,331	108,148	107,928	106,580	104,468	106,287	108,273	112,359	-5,580
49,236	48,616	47,704	46,182	46,065	45,972	45,550	45,087	44,619	-4,966
113,734	107,688	101,320	99,311	96,024	95,754	93,371	93,099	*	-44,422
12,084	12,256	12,070	11,350	11,049	10,633	10,530	10,883	11,239	-293
478,295	458,510	440,278	417,699	408,004	404,810	405,710	412,162	409,640	-132,819
57,688	55,948	55,438	55,481	55,447	55,094	55,349	55,646	56,436	-2,253
241,702	234,051	229,589	226,949	221,509	221,252	222,873	225,437	*	-30,898
22,747	22,102	20,850	20,343	19,718	19,930	19,936	20,072	19,644	-8,663
62,932	63,163	61,431	60,931	60,665	59,947	60,181	58,628	58,963	-760
15,741	15,717	14,944	14,942	15,140	14,423	14,614	15,097	15,102	-1,210
49,030	48,720	48,254	46,835	45,944	45,990	43,168	43,543	44,902	-2,923
78,582	75,478	73,741	70,556	69,717	69,557	67,324	68,030	66,943	-23,130
29,645	28,368	27,877	26,550	26,168	26,239	25,438	25,465	25,446	-4,471
40,189	39,061	39,064	37,310	36,007	35,177	33,876	33,144	32,824	-8,704
97,858	92,803	87,133	80,137	76,785	75,184	73,753	72,520	71,337	-39,844
32,450	33,813	33,177	31,441	31,248	31,507	31,493	31,927	32,628	-2,749
46,530	43,928	41,841	38,696	37,140	36,157	35,549	34,939	34,587	-20,846
99,493	97,744	95,605	92,352	91,600	91,098	89,163	89,211	88,126	-18,023
52,642	52,303	52,299	53,177	54,332	54,847	55,236	55,732	57,490	-4,113
29,985	28,882	28,244	27,624	26,290	26,867	26,200	25,655	25,876	-11,463
11,172	11,700	11,040	10,972	11,017	10,720	10,907	11,220	*	-2,315
19,084	18,257	17,288	16,253	15,685	15,319	14,819	14,649	14,363	-7,461
12,494	12,253	11,895	11,137	10,820	10,654	9,943	9,711	9,494	-4,002
53,701	53,553	54,413	53,828	54,749	56,470	55,623	56,808	59,512	+8,112
11,224	11,455	11,399	10,662	10,584	10,931	10,808	10,843	10,785	+1,249
39,205	40,154	40,513	41,080	42,511	42,578	42,795	44,473	*	+7,739
35,966	35,209	34,359	36,659	37,435	37,520	36,950	37,815	38,742	+3,402
40,677	40,500	43,416	47,267	49,149	48,179	44,358	47,535	49,823	+693

Negro schools, with one showing increased enrollment while in the other the number of pupils was decreasing more rapidly. Population shifts within the city or to areas beyond the city limits can be another cause of maldistribution of school facilities. Rent controls and higher wages have undoubtedly caused a shift of families with children from many blighted areas to districts where larger living quarters were available. The very high number of marriages that reached a peak in 1946 certainly indicates that sometime in the early 1950's a veritable torrent of children will be seeking admittance to the elementary schools.

Another factor that must be considered is the condition of the schools rather than their capacity. There are many obsolete school buildings that have needed replacement for some time. For these reasons, therefore, we are hesitant in placing an unqualified endorsement upon any conclusion reached by simply reading the figures in the above table. We believe, however, that the facts as presented above indicate the need for a close examination by property owners of requests for additional schools in many American cities.

Note: The figures are for school enrollment; average daily attendance is a good deal lower.



PUBLIC AND PRIVATE BUILDING IN THE UNITED STATES

THE chart above shows the dollar value of all public and private building in the United States from 1925 to the present. Each of the last two years, 1947 and 1948, has established a new all-time high for dollar value of construction. It looks as though 1949 will also set a new record. Everyone knows, however, that the dollar is quite elastic or, more correctly, has shrunk considerably in the last few decades. Therefore, the construction dollar volume figures have somewhat more meaning if they are all put on the same basis by correcting them for changes in the value of the dollar. This is not easily done, and is at best not 100% accurate. In fact, the indications are that this method understates the increase in residential construction since 1939. According to this index the volume of residential construction in 1948 increased 60% over the 1939 figure. In number of units started, however, the 1948 increase over 1939 was 80%. This discrepancy is largely offset by the fact that the size of the units built in 1939 was larger than the size of those built in 1948 - but we still believe that some understatement remains in comparing 1948 with 1939 in the following examples. The figures, however, do indicate the physical volume of construction in the various fields. These figures are all based on 1939 prices and for this reason one year is directly comparable with another.

In 1948 the value of private industrial construction was $603 million (remember, these are all 1939 prices) or 137% above the value put up in 1939. On this same basis, the years 1946, 1947 and 1948 are slightly ahead of the previous highest three years, 1927 through 1929. Therefore, in the last three years we have probably

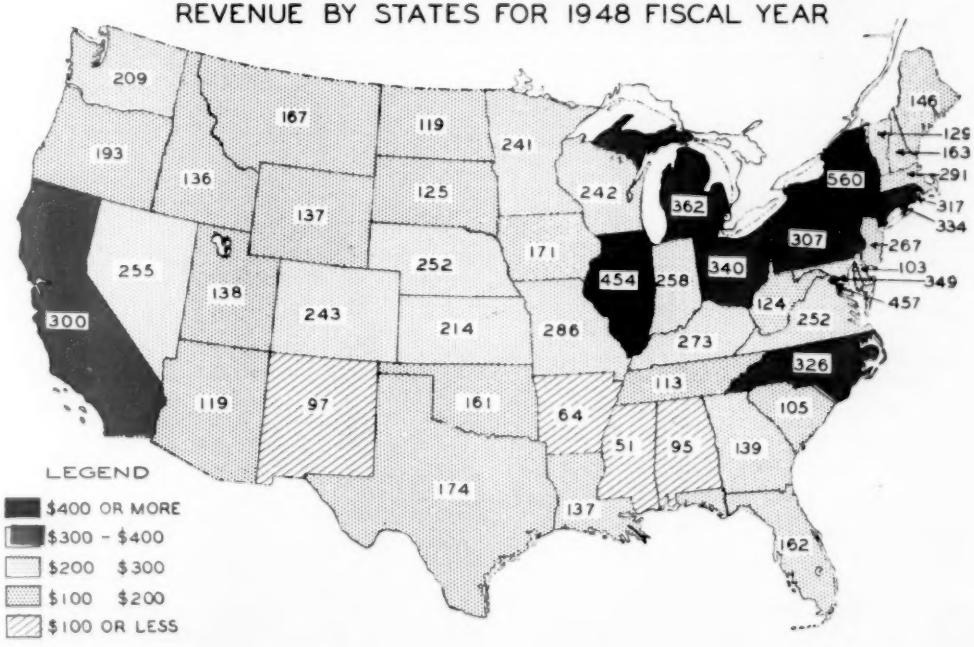
achieved the largest expansion of our industrial plant in our history. The value of loft buildings, office buildings and warehouses, averaged about $520 million per annum during 1928 to 1930. In 1948 the value (we are still talking in terms of 1939 prices) was $165 million. The highest postwar year was 1946 at $204 million. So we are still far below the 1928-1930 rate insofar as physical volume is concerned. We are, however, about 117% over the 1939 rate.

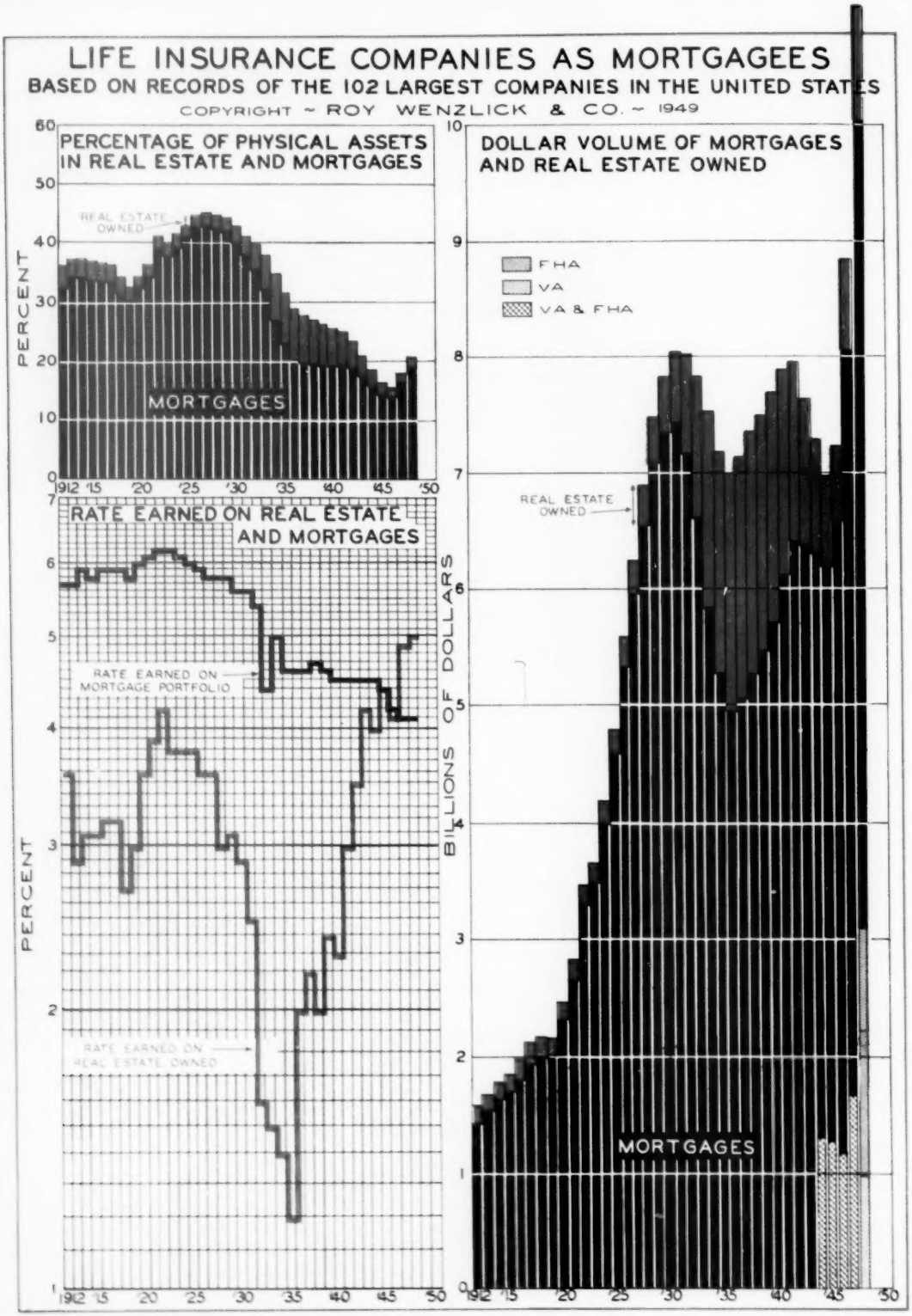
Although the physical volume of stores, restaurants and garages reached $307 million in 1948 and was 75% above the 1939 volume, it was far below the average of $677 million for the 1926-1928 period. Our highest postwar year was 1946, when the physical volume of this type structure rose to $504 million.

Total private building has not yet reached its previous highwater mark of $8,804 million achieved in 1926. The figure for 1948 was $6,982 million worth of physical volume. Since these dollar figures represent 1939 prices we can assume that the 1948 physical volume of construction was about 20% below the record of 1926.

It is quite surprising that farm construction has lagged to such an extent. Farm residential construction volume in 1948 was 18% below that of 1939, and farm non-residential construction in 1948 was 16% below that of 1939. This comparative lack of farm construction apparently indicates that a very important portion of the building material market has been neglected. Most farmers are in a strong financial position and despite lower prices, the agricultural picture should be bright for several years. This should lead to more farm building than has taken place recently.

PER CAPITA COLLECTION OF FEDERAL INTERNAL REVENUE BY STATES FOR 1948 FISCAL YEAR




LIFE INSURANCE COMPANIES AS MORTGAGEES
BASED ON RECORDS OF THE 102 LARGEST COMPANIES IN THE UNITED STATES
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PERCENTAGE OF PHYSICAL ASSETS IN REAL ESTATE AND MORTGAGES
REAL ESTATE OWNED
MORTGAGES
PERCENT
RATE EARNED ON REAL ESTATE AND MORTGAGES
RATE EARNED ON MORTGAGE PORTFOLIO
RATE EARNED ON REAL ESTATE OWNED
DOLLAR VOLUME OF MORTGAGES AND REAL ESTATE OWNED
FHA
VA
VA & FHA
REAL ESTATE OWNED
MORTGAGES
BILLIONS OF DOLLARS
1912 '15 '20 '25 '30 '35 '40 '45 '50

EARNINGS OF "LIFE INSURANCE MORTGAGES" STILL LOW

THE table below and chart on the opposite page show that the 102 largest life insurance companies in the United States have never earned a lower return on their real estate mortgages than at present. The rate in 1948 was 4.1%, which tied for low with the 1947 rate. On the other hand, their earnings on real estate owned reached a new high of 5% in 1948. Following a long decline, the percentage of assets invested in mortgages has risen slowly since 1947.

	REAL ESTATE OWNED*			REAL ESTATE MORTGAGES			GROSS ASSETS
Year	Amount	% of Assets	Rate Earned	Amount	% of Assets	Rate Earned	Amount
1912	$ 160,569,000	3.7	3.6	$1,428,408,000	32.6	5.7	$ 4,380,287,000
1913	136,780,000	3.0	2.9	1,554,163,000	34.3	5.7	4,532,916,000
1914	153,536,000	3.2	3.1	1,645,193,000	34.2	5.9	4,810,503,000
1915	154,297,000	3.1	3.1	1,716,341,000	33.9	5.8	5,056,764,000
1916	154,762,000	2.9	3.2	1,823,639,000	33.8	5.9	5,393,288,000
1917	168,191,000	2.9	3.2	1,951,504,000	33.6	5.9	5,812,235,000
1918	167,979,000	2.7	2.7	1,997,864,000	31.7	5.9	6,298,610,000
1919	153,649,000	2.3	3.0	2,009,362,000	30.4	5.7	6,608,314,000
1920	153,255,000	2.1	3.6	2,322,840,000	32.4	6.0	7,157,228,000
1921	162,582,000	2.1	3.9	2,674,155,000	34.5	6.1	7,741,277,000
1922	167,996,000	2.0	4.2	3,297,285,000	39.2	6.2	8,421,028,000
1923	182,670,000	2.0	3.8	3,482,535,000	38.0	6.2	9,164,863,000
1924	204,450,000	2.0	3.8	3,993,030,000	39.4	6.1	10,121,992,000
1925	223,452,000	2.0	3.8	4,581,291,000	40.8	6.0	11,226,914,000
1926	253,933,000	2.0	3.6	5,328,266,000	42.7	5.9	12,464,137,000
1927	298,606,000	2.1	3.6	5,964,158,000	42.9	5.8	13,890,228,000
1928	351,878,000	2.3	3.0	6,555,276,000	42.4	5.8	15,471,387,000
1929	400,914,000	2.4	3.1	7,082,123,000	41.8	5.8	16,954,901,000
1930	461,949,000	2.5	2.9	7,363,990,000	40.2	5.6	18,303,897,000
1931	598,379,000	3.1	2.5	7,441,593,000	38.0	5.6	19,567,047,000
1932	846,179,000	4.2	1.6	7,171,656,000	35.5	5.4	20,219,239,000
1933	1,224,064,000	5.9	1.5	6,610,718,000	32.1	4.4	20,580,888,000
1934	1,704,119,000	7.9	1.4	5,827,270,000	27.1	5.0	21,482,878,000
1935	1,911,016,000	8.4	1.2	5,272,707,000	23.1	4.6	22,846,546,000
1936	2,056,667,000	8.5	2.0	4,960,385,000	20.4	4.6	24,288,552,000
1937	2,096,042,000	8.2	2.2	5,055,338,000	19.7	4.6	25,708,928,000
1938	2,092,890,000	7.7	2.0	5,265,537,000	19.4	4.7	27,140,640,000
1939	2,038,880,000	7.2	2.4	5,463,527,000	19.2	4.6	28,427,877,000
1940	1,958,289,000	6.5	2.3	5,723,867,000	19.1	4.5	29,931,809,000
1941	1,763,261,000	5.6	3.0	6,128,203,000	19.5	4.5	31,385,120,000
1942	1,554,732,000	4.6	3.5	6,399,808,000	18.9	4.5	33,823,517,000
1943	1,256,957,000	3.4	4.2	6,371,705,000	17.5	4.5	36,507,697,000
1944	984,205,000	2.5	4.0	6,316,596,000†	16.0	4.5	39,452,518,000
1945	781,148,000	1.8	4.4	6,198,050,000†	14.5	4.4	42,844,706,000
1946	664,321,000	1.4	4.1	6,579,888,000†	14.2	4.2	46,251,774,000
1947	789,371,000	1.6	4.9	8,048,441,000†	16.3	4.1	49,404,609,000
1948	974,044,000	1.8	5.0	10,034,995,000‡	18.9	4.1	53,157,970,000

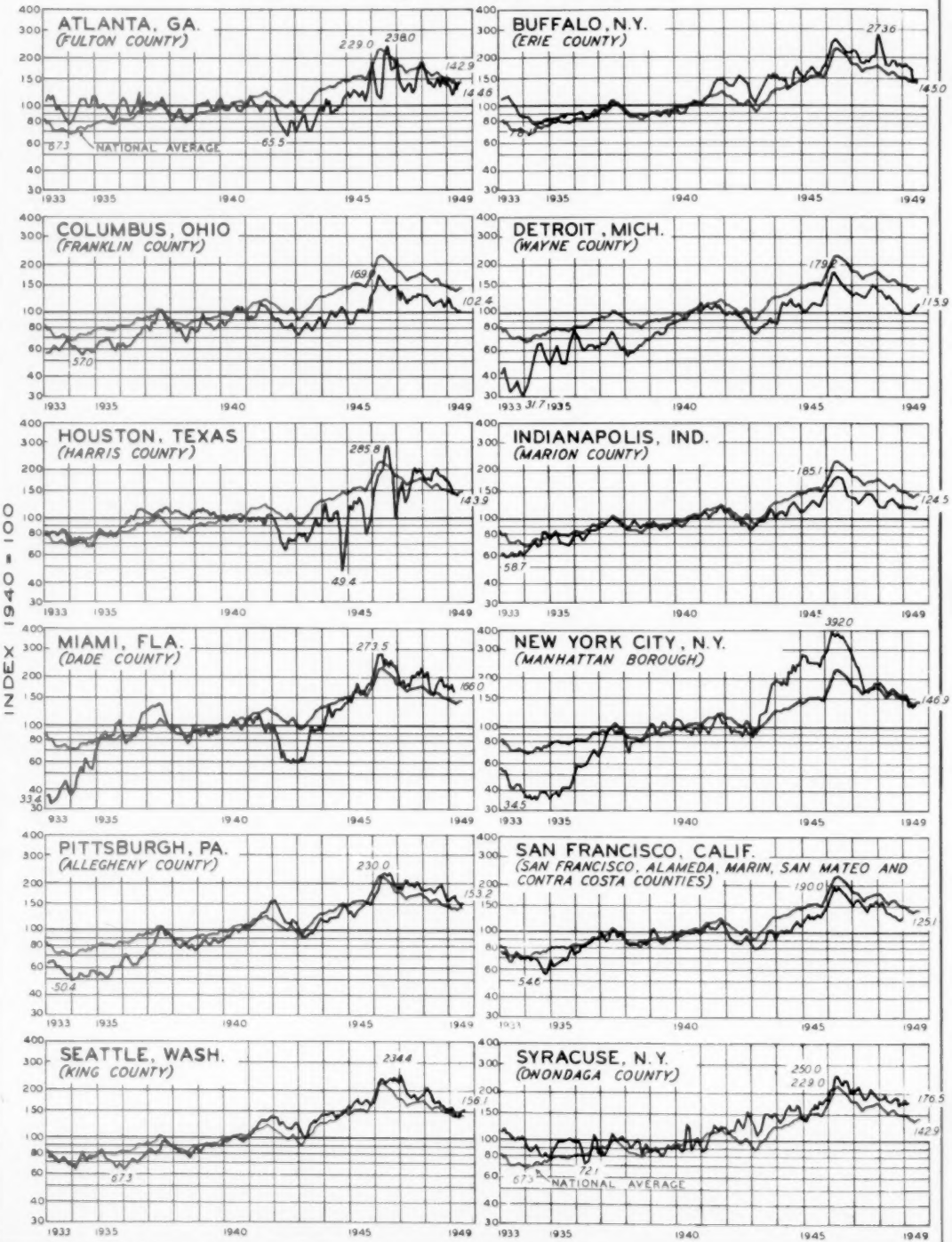
*Includes home office buildings.

†FHA & Veterans Administration loans included: 1944 - $1,301,019,000
1945 - $1,274,026,000 1946 - $1,156,697,000 1947 - $1,652,262,000

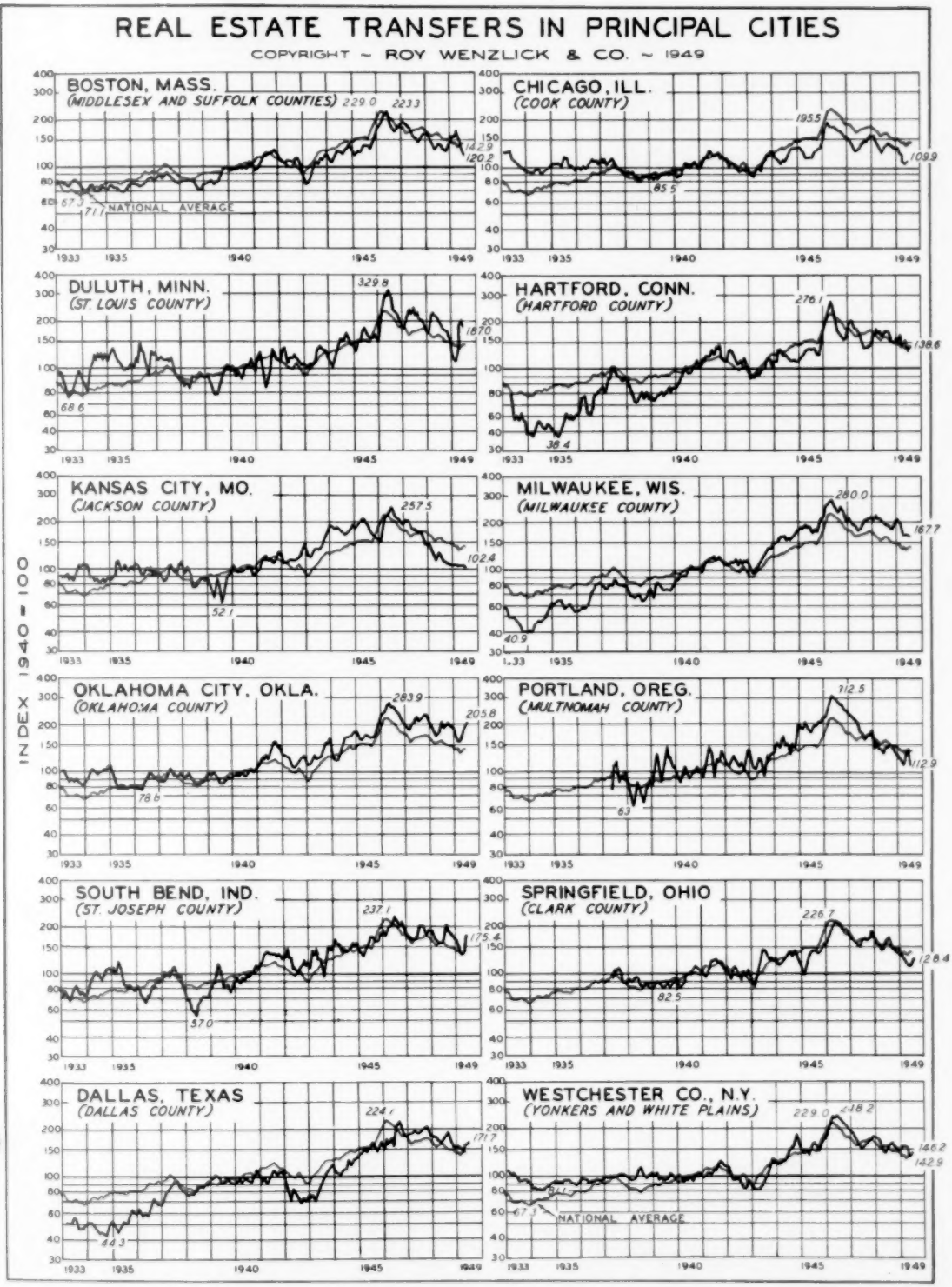
‡FHA - $2,164,014,000; VA - $981,184,000

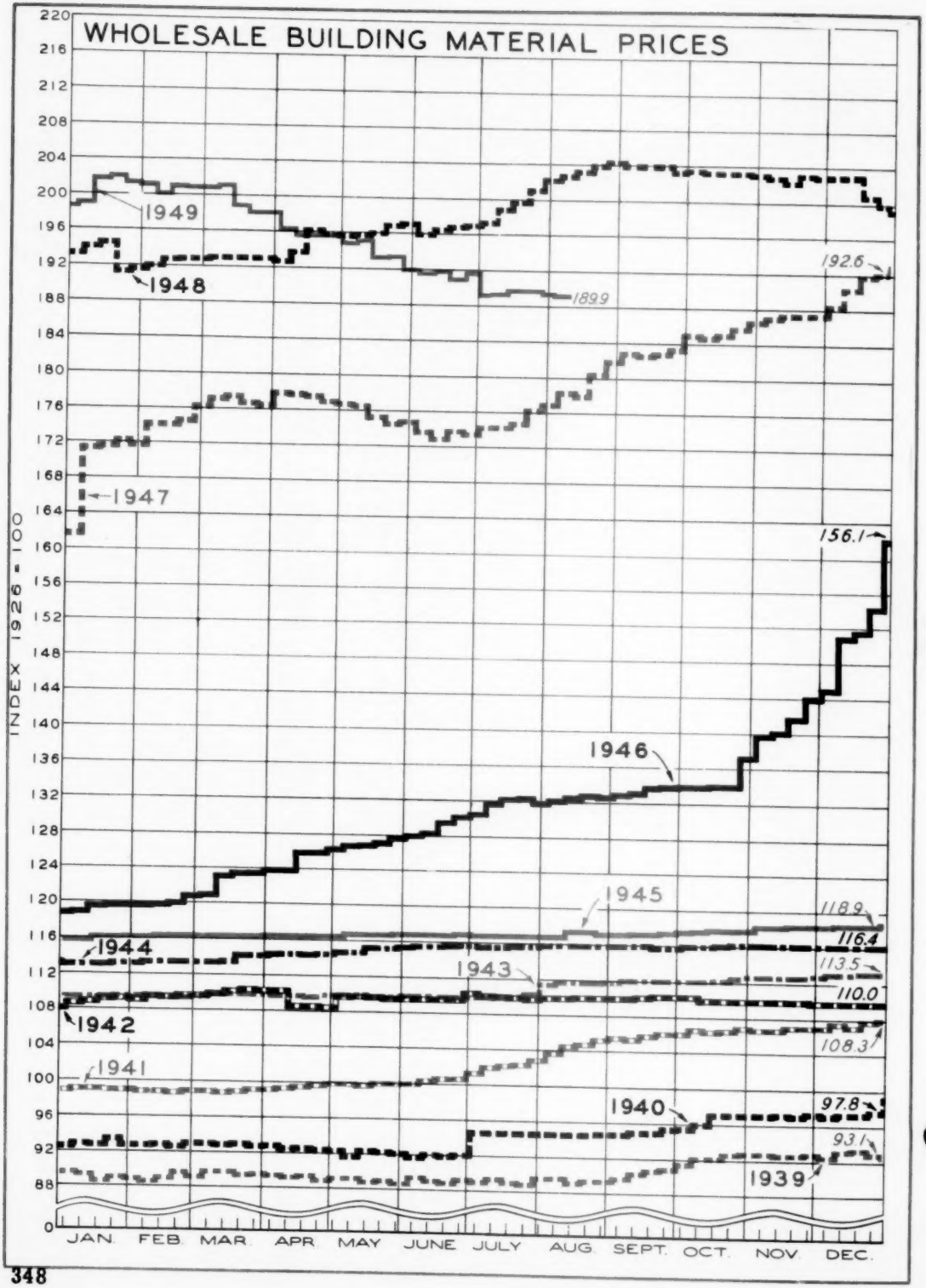
REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

INDEX 1940 = 100



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES




WHOLESALE BUILDING MATERIAL PRICES
INDEX 1926 = 100
220
216
212
208
204
200
196
192
188
184
180
176
172
168
164
160
156
152
148
144
140
136
132
128
124
120
116
112
108
104
100
96
92
88
0
1949
1948
1947
1946
1945
1944
1943
1942
1941
1940
1939
1899
192.6
156.1
118.9
116.4
113.5
110.0
108.3
97.8
93.1
JAN.
FEB.
MAR.
APR.
MAY
JUNE
JULY
AUG.
SEPT.
OCT.
NOV.
DEC.